

Message Text

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44

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-03 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 PA-02 PRS-01 USIA-15 /110 W

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R 291731Z NOV 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6133

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 15650

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING NOVEMBER 29

BEGIN SUMMARY: IF NO ECONOMIC NEWS IS GOOD NEWS THESE
FOR THE UK. THERE WERE NO OFFICIAL ECONOMIC STATISTICS
PUBLISHED DURING THE WEEK. UNOFFICIAL DATA SHOW THE RATE
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OF INCREASE OF INDUSTRIAL PROFITS IS DOWN AND GROCERY

PRICES ARE UP. THE PRESS REPORTS THAT THE BANK OF ENGLAND WILL INCREASE ITS SUPPORT OF SECONDARY BANK OPERATIONS. MORE IMPORTANT, PRIME MINISTER WILSON GAVE A STRONG WARNING TO THE LABOUR PARTY CONFERENCE ON THE ECONOMIC CONSEQUENCES OF A RUPTURE OF THE "SOCIAL CONTRACT." STERLING REMAINED RELATIVELY STABLE VIS-A-VIS THE DOLLAR AS BOTH CURRENCIES WEAKENED AGAINST THE MAJOR EUROPEAN CURRENCIES. ON A TRADE-WEIGHTED BASIS THE POUND'S LEVEL OF DEPRECIATION SINCE SMITHSONIAN WAS RECORDED AT A NEW LOW OF 20.8 PERCENT ON TUESDAY (NOV. 26). THE PRICE OF GOLD CLOSED THURSDAY AT \$181.75, OFF \$1.00 FROM LAST THURSDAY'S CLOSE. END SUMMARY

I. DOMESTIC

1. PRIME MINISTER WILSON EMPHASIZED, IN A SPEECH TO THE ANNUAL LABOUR PARTY CONFERENCE, THAT THE INEVITABLE CONSEQUENCE OF UNIONS NOT ADHERING TO THE "SOCIAL CONTRACT" IS INCREASED UNEMPLOYMENT. THE PRESS REPORTS THE SPEECH AS "STRONGLY WORDED," AND SAYS THE SPEECH WAS "WARMLY BUT NOT ENTHUSIASTICALLY APPLAUDED." WILSON ALSO STRESSED THE IMPORTANCE OF THE PROPOSED NATIONAL ENTERPRISE BOARD (NEB) IN GUIDING AND SUPPORTING INDUSTRIAL INVESTMENT.

2. INDUSTRIAL PROFITS ROSE BY 13.8 PERCENT ACCORDING TO A FINANCIAL TIMES SURVEY. THIS COMPARES TO A RISE OF 19 PERCENT IN THE PREVIOUS SURVEY. EARNINGS FOR ORDINARY SHAREHOLDERS ROSE 4.5 PERCENT IN THE NEW SURVEY; IN THE PREVIOUS SURVEY THEY ROSE BY 13.3 PERCENT. DIVIDEND PAYMENTS FELL BY 2.6 PERCENT THIS TIME AS COMPARED WITH A RISE OF 4.9 PERCENT IN THE PREVIOUS SURVEY. THE NEW SURVEY COVERED 120 INDUSTRIAL COMPANIES WHOSE FINANCIAL YEARS ENDED BETWEEN APRIL 15 AND JULY 14 OF THIS YEAR AND WHOSE ANNUAL REPORTS WERE PUBLISHED PRIOR TO THE END OF OCTOBER. THE PREVIOUS SURVEY COVERED 449 COMPANIES WHO PUBLISHED ANNUAL REPORTS IN SEPTEMBER.

3. THE PRESS REPORTS THAT THE BANK OF ENGLAND IS EXPECTED TO PROVIDE "SEVERAL HUNDRED MILLION POUNDS" TO MAINTAIN SUPPORT OF SECONDARY BANKS WHO HAVE EXPERIENCED DIFFICULTY IN RECENT MONTHS.

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4. THE FINANCIAL TIMES GROCERY INDEX, WHICH SAMPLES ONLY 11 FAMILIES, ROSE BY 4 PERCENT IN NOVEMBER AND NOW HAS RISEN BY 15 PERCENT IN THE PAST YEAR. HIGHER PRICES FOR SUGAR AND MILK ARE THE MAJOR IMPETUS FOR THE NOVEMBER INCREASE.

II. INTERNATIONAL

5. STERLING REMAINED RELATIVELY STABLE VIS-A-VIS THE DOLLAR AS BOTH NCIES TENDED TO WEAKEN AGAINST MAJOR EUROPEAN CURRENCIES. SOURCES INDICATE THAT THE MAJORITY OF EXCHANGE MARKET TRANSACTIONS REMAIN COMMERCIAL IN NATURE WITH ONLY SMALL AMOUNTS OF APPARENT SPECULATIVE ACTIVITY, MOSTLY IN GERMAN MARKS. ON A TRADE-WEIGHTED BASIS, THE STERLING DEPRECIATION REACHED A NEW RECORDED LOW (SINCE SMITHSONIAN) OF 20.8 PERCENT ON TUESDAY (NOV. 26), BUT SHOWED MODERATE STRENGTHENING DURING THE REMAINDER OF THE WEEK, NARROWING BY ABOUT 0.1 PERCENT EACH DAY. THE PRICE OF GOLD ROSE TO \$186.75 ON TUESDAY (NOV. 26) BUT DECREASED TO \$181.75 ON THURSDAY (NOV. 28), OFF \$1.00

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FROM LAST THURSDAY'S CLOSE.

6. THE FORWARD DISCOUNT ON STERLING NARROWED SLIGHTLY DURING THE WEEK.

	11/21	11/28	CHANGE
1 MONTH	0.95	0.85	DOWN 0.10
3 MONTHS	3.05	2.85	DOWN 0.20

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6 MONTHS 6.50 5.85 DOWN 0.65
(ALL FIGURES IN CENTS)

7. EURODOLLAR RATES WERE UP AS THE WEEK ENDED.

	11/21	11/28	CHANGE
1 MONTH	10	10-1/2	UP 1/2
3 MONTHS	10-1/4	10-1/2	UP 1/4
6 MONTHS	10-1/4	10-1/2	UP 1/4

8. LOCAL AUTHORITY DEPOSIT RATES ROSE THROUGHOUT THE WEEK.

	11/21	11/28	CHANGE
1 MONTH	11-9/16	11-7/8	UP 5/16
3 MONTHS	12-1/2	12-11/16	UP 3/16
6 MONTHS	12-7/8	13-3/16	UP 5/16

9. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 11-1/2 PERCENT ON FRIDAY, NOVEMBER 29, 1974.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Concepts: ECONOMIC DEVELOPMENT, FOREIGN EXCHANGE DATA, STERLING (CURRENCY)
Control Number: n/a
Copy: SINGLE
Draft Date: 29 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740346-0971
From: LONDON
Handling Restrictions: n/a
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Legacy Key: link1974/newtext/t1974113/aaaaackz.tel
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Review Content Flags:
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Review Exemptions: n/a
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US Department of State
EO Systematic Review
30 JUN 2005

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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS - WEEK ENDING NOVEMBER 29 BEGIN SUMMARY: IF NO ECONOMIC NEWS IS GOOD NEWS THESE
TAGS: ECON, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005